

The
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JULY 31st
1943

R. H. Macy & Co., Inc.

AND SUBSIDIARY COMPANIES

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R. H. Macy & Co., Inc.

BOARD OF DIRECTORS

Percy S. Straus, *Chairman*

Edwin F. Chinlund	Edwin I. Marks	Jack I. Straus
Donald Kirk David	Ward Melville	Ralph I. Straus*
Joseph P. Day	Beardsley Ruml	Delos Walker
Leon Lauterstein	Edward K. Straus*	Richard Weil, Jr.*

* In the Armed Services.

OFFICERS

Percy S. Straus	<i>Chairman, Board of Directors</i>
Jack I. Straus	<i>President</i>
Edwin I. Marks	<i>Vice President</i>
Delos Walker	<i>Vice President and Secretary</i>
Edwin F. Chinlund	<i>Vice President</i>
Beardsley Ruml	<i>Treasurer</i>

TRANSFER AGENT

Bankers Trust Company—16 Wall Street—New York 5, N. Y.

REGISTRAR

Irving Trust Company—One Wall Street—New York 5, N. Y.

EXECUTIVE OFFICES

Herald Square, New York 1, N. Y.

TO THE STOCKHOLDERS OF

R. H. Macy & Co., Inc.

New York, N. Y., October 5, 1943

The annual audited report of the Corporation and its subsidiary companies for the fiscal year (52 weeks) ended July 31, 1943 is submitted herewith. This is the first audited report rendered for a full year since the adoption in 1942 of a fiscal accounting year ending on the Saturday nearest July 31.

The accompanying statements present the consolidated financial position of R. H. Macy & Co., Inc. and its subsidiary companies at July 31, 1943 and August 1, 1942, together with the operating results for the years ended on those dates.

FINANCIAL REVIEW

Consolidated net retail sales, including those of leased departments, for the year ended July 31, 1943 amounted to \$166,759,594.03 as compared with \$158,099,777.96 for the preceding year ended August 1, 1942. Net retail sales of the individual stores for the two years are shown in Table No. 2 of this report.

Consolidated net profit of the Corporation and its subsidiaries, before federal taxes, minority interests, and special reserves, amounted to \$11,464,148.50, as compared with \$6,516,000.55 for the previous year.

The provision for federal income and excess profits taxes was \$7,285,000.00 for the fiscal year ended July 31, 1943 as compared with \$3,384,000.00 for the previous year.

Consolidated net profit, after deducting federal taxes on income and special reserves of \$613,132.00, as explained on page 4, was \$3,546,776.28, which is equivalent to \$2.14 per share, as compared with \$3,052,294.20 or \$1.84 per share for the previous year. Earnings per share are based upon 1,656,067 shares outstanding at the close of each year.

While the fiscal year of the Corporation for financial purposes was changed during 1942 to end on the Saturday nearest July 31, its fiscal year for federal tax purposes continues to end on January 31. This requires estimating tax provisions based on estimated profits for a succeeding six months and, as explained in Note 4 to the financial statements, has caused, and may continue to cause, too large or too small provisions for taxes in any fiscal year.

For the year under review, the Lifo method of inventory valuation was abandoned and accordingly the provision of \$3,086,868.00 previously made was cancelled. Simultaneously, a general reserve of \$3,100,000.00 was provided for possible losses due to future decline in market values of merchandise inventories.

During the year under review, the Corporation established a reserve of \$600,000.00 to meet extraordinary conditions which may arise during and after the present war. Under present tax law, the provision from profits to create this reserve is not deductible for tax purposes which partly accounts for the high percentage of taxes to profits before taxes.

Current assets at July 31, 1943 amounted to \$58,594,150.47 and current liabilities were \$14,641,188.83, a net working capital of \$43,952,961.64. This represents an increase in net working capital during the year of a little over \$4,000,000.00. At the same time, long-term debt decreased \$1,917,375.00.

On March 6, 1943, L. Bamberger & Co. exercised its privilege of prepaying the balance of the principal amount of a mortgage of \$900,000.00 held by The Mutual Benefit Life Insurance Company; this mortgage carried interest at the rate of $4\frac{1}{4}\%$ per annum.

The Corporation acquired for the sum of \$1,100,000.00 the remaining stockholders' interests in 455 Seventh Avenue, Inc. (a subsidiary company) which holds the ground lease on which is erected a portion of the main store building of R. H. Macy & Co., Inc.

Reference is made to the Comparative Balance Sheet Statistics and also the Comparative Operating Statistics which are set forth on Tables No. 1 and 2, respectively, of this report.

DIVIDENDS

Dividends aggregating \$3,312,134.00 were paid during the year at the rate of 50c per share for each quarter on October 1, 1942, January 2, 1943, April 6, 1943 and July 1, 1943. On August 25, 1943 a dividend was declared payable on October 1, 1943 at the rate of 50c per share.

POST WAR PLANNING

We have been actively engaged in various industry and public post war planning considerations. To be prepared for the many post war readjustments which we will be called upon to meet, a committee of three, members of the Executive Committee, has been set up to study such subjects for the corporation as a whole. The several subsidiaries have also organized responsibility for such work in cooperation with the corporate committee, and in their communities are acting with local civic groups in studying plans for the post war period. It is our belief that the successful development of such planning for the advancement of the economic and community life is indispensable if we are to have the kind of post war recovery and prosperity which there is every reason to believe is possible.

GENERAL

During the past year the Corporation has felt the full effect of the various governmental measures designed to control inflation and to provide for an equitable distribution of scarce goods. The governmental program includes not only regulatory orders, but requests for voluntary action as well. Our operations were adjusted to comply with the regulations on the distribution of merchandise both from the source and to the public, on the stabilization of prices of merchandise bought and sold, on the delivery of merchandise, and on the filling of mail and telephone orders. In the field of voluntary action, we have cooperated with the government's declaration of policy with respect to the curtailment of promotional advertising of scarce merchandise. The War Production Board control of inventories of finished goods in the hands of retailers has had its effect in limiting the supply of goods available for civilian consumption and probably some limitation will continue for the duration of the war. In addition, rationing controls of specific types of merchandise have been put into effect by the Office of Price Administration. As a result, our inventories at the close of this fiscal year are substantially lower than a year ago.

The complex problems resulting from war controls, the continuing scarcity of both merchandise and manpower, and unforeseen war emergencies make it difficult to foretell our future course of volume and profit.

Approximately 4,700 employees of the Corporation and its subsidiaries have entered the Armed Forces. This has been a heavy drain on personnel, both executive and staff. In addition, many of our executives have taken important positions in other government war-time services. The added burdens resulting from such substantial reductions in the number of trained

people, and from the increased problems of distribution brought on by the war, have been well carried by those remaining. The Corporation and its subsidiaries have rendered active assistance in the promotion of important war programs both in their communities and nationally. Our sales quota in the Third War Loan Drive was exceeded, for which employees and customers alike are to be commended. The Management expresses its appreciation for the loyalty and effective cooperation of the entire organization.

Respectfully submitted,
JACK I. STRAUS
President.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

October 1, 1943

TO THE BOARD OF DIRECTORS AND
STOCKHOLDERS OF R. H. MACY & CO., INC.:

We have examined the consolidated balance sheet of R. H. Macy & Co., Inc. and subsidiary companies, and the balance sheet of Macy's Bank, both as of July 31, 1943, and the consolidated statements of profit and loss and surplus for the fiscal year (52 weeks) then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet of R. H. Macy & Co., Inc. and subsidiary companies, the balance sheet of Macy's Bank, and the related consolidated statements of profit and loss and surplus present fairly the position at July 31, 1943, and the consolidated results of operations for the fiscal year (52 weeks), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of stating merchandise inventories referred to in Note 3 to the financial statements.

TOUCHE, NIVEN & CO.

ASSETS

	JULY 31, 1943	AUGUST 1, 1942
CURRENT ASSETS:		
Cash on demand deposit and on hand.....	\$ 6,141,530.27	\$ 5,501,530.49
United States Government obligations—at cost or redemption amount....	22,640,237.13	6,740,048.06
Notes and accounts receivable:		
Regular retail, less reserves of \$146,550.00 at July 31, 1943 and \$177,200.00 at August 1, 1942.....	2,373,678.49	2,348,486.90
"Cash-Time" and other instalment accounts, less reserves of \$422,400.00 at July 31, 1943 and \$465,600.00 at August 1, 1942.....	3,891,752.71	4,727,659.51
Merchandise inventories on hand and in transit—on the bases explained in Note 3.....	22,438,113.73	33,520,154.70
Sundry debtors.....	1,108,838.14	829,618.82
	<u>\$ 58,594,150.47</u>	<u>\$53,667,498.48</u>
OTHER ASSETS:		
Land, buildings and equipment not used in operations—on the basis of cost, less depreciation of \$13,612.87 at July 31, 1943 and \$74,129.53 at August 1, 1942.....	\$ 241,108.45	\$ 477,361.45
Investment in Macy's Bank—at cost (equity in net assets \$780,923.31 at July 31, 1943 and \$773,820.44 at August 1, 1942).....	742,000.00	743,000.00
Loans to employees.....	48,465.08	34,327.54
Deposits with mutual insurance companies.....	125,505.21	108,690.43
Miscellaneous.....	270,387.98	415,865.36
	<u>\$ 1,427,466.72</u>	<u>\$ 1,779,244.78</u>
FIXED ASSETS—on the basis of cost, less depreciation:		
Owned property:		
Land.....	\$ 6,935,997.81	\$ 6,935,997.81
Buildings and building equipment, less depreciation of \$13,971,674.56 at July 31, 1943 and \$13,064,952.43 at August 1, 1942.....	15,002,553.80	15,898,016.77
Leased property (buildings, building equipment and improvements) and leaseholds, less amortization of \$12,231,984.74 at July 31, 1943 and \$11,630,898.76 at August 1, 1942.....	10,595,112.64	10,046,072.76
Store fixtures and equipment, less depreciation of \$7,003,371.14 at July 31, 1943 and \$6,741,972.37 at August 1, 1942.....	4,770,888.87	5,651,700.98
Delivery equipment, less depreciation of \$294,828.66 at July 31, 1943 and \$282,995.37 at August 1, 1942.....	289,930.49	419,936.21
	<u>\$ 37,594,483.61</u>	<u>\$38,951,724.53</u>
PREPAID EXPENSES AND DEFERRED CHARGES:		
Inventory of supplies.....	\$ 916,618.90	\$ 898,358.12
Unexpired insurance, prepaid taxes, etc.....	1,532,020.21	1,475,900.97
Unamortized expense in respect of long-term debt.....	263,605.89	320,631.90
	<u>\$ 2,712,245.00</u>	<u>\$ 2,694,890.99</u>
GOODWILL.....	<u>\$ 1.00</u>	<u>\$ 1.00</u>
	<u>\$100,328,346.80</u>	<u>\$97,093,359.78</u>

See explanatory notes on pages 12 and 13.

LIABILITIES

CURRENT LIABILITIES:

	JULY 31, 1943	AUGUST 1, 1942
Notes payable—commercial paper.....	\$ —	\$ 2,500,000.00
Accounts payable.....	4,145,629.02	3,542,009.94
Accrued liabilities:		
Salaries and commissions.....	1,007,446.51	582,701.46
Vacation salaries.....	693,132.80	665,440.48
Federal taxes on income.....	4,654,301.30	2,517,007.76
Other taxes.....	1,033,714.70	1,050,968.48
Interest and miscellaneous.....	815,542.55	908,003.41
Other current liabilities:		
Miscellaneous credit balances.....	990,921.95	747,626.99
Portion of long-term debt due within one year (See Note 5).....	1,300,500.00	1,300,500.00
	<u>\$ 14,641,188.83</u>	<u>\$13,814,258.52</u>

LONG-TERM DEBT (exclusive of portion due within one year, included in current liabilities):

Debentures and notes payable, due after one year to 1952, less debentures held in treasury of \$196,000.00 at July 31, 1943 and \$150,000.00 at August 1, 1942.....	\$ 19,954,000.00	\$20,925,000.00
Mortgages payable, due after one year to 1959.....	574,750.00	1,521,125.00
Total (average interest rate 2.23% at July 31, 1943 compared with 2.32% at August 1, 1942).....	<u>\$ 20,528,750.00</u>	<u>\$22,446,125.00</u>

RESERVES:

For deferred taxes on profits on instalment sales and for possible assessment of taxes for prior years.....	\$ 1,457,206.22	\$ 1,054,044.65
For possible future decline of inventory values, \$3,100,000.00 (See Note 3), and for war and post war contingencies, \$600,000.00.....	3,700,000.00	—
For insurance.....	50,000.00	50,000.00
For variations in prices of securities held by Macy's Bank (See Note 2)...	—	3,668.81
	<u>\$ 5,207,206.22</u>	<u>\$ 1,107,713.46</u>

MINORITY INTERESTS IN SUBSIDIARY COMPANY—preferred stock outstanding, less deficit applicable thereto.....

	\$ 113,918.95	\$ 122,622.28
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CAPITAL STOCK AND SURPLUS:

Common capital stock:		
Authorized, 2,500,000 shares of no par value		
Issued, 1,659,939 shares.....	\$ 41,498,475.00	\$41,498,475.00
Less held in treasury, 3,872 shares.....	96,800.00	96,800.00
Outstanding, 1,656,067 shares.....	<u>\$ 41,401,675.00</u>	<u>\$41,401,675.00</u>
Surplus, per Statement No. 3:		
Earned surplus (See Note 6).....	\$ 8,858,266.75	\$ 8,623,624.47
Capital surplus.....	9,577,341.05	9,577,341.05
	<u>\$ 18,435,607.80</u>	<u>\$18,200,965.52</u>
	<u>\$100,328,346.80</u>	<u>\$97,093,359.78</u>

See explanatory notes on pages 12 and 13.

COMPARATIVE CONSOLIDATED PROFIT AND LOSS

	YEAR (52 WEEKS) ENDED JULY 31, 1943	YEAR (52 WEEKS) ENDED AUGUST 1, 1942
NET RETAIL SALES, including those of leased departments.....	\$166,759,594.03	\$158,099,777.96
COST OF GOODS SOLD AND EXPENSES, exclusive of items listed below.....	146,436,802.19	141,289,351.60
	<u>\$ 20,322,791.84</u>	<u>\$ 16,810,426.36</u>
DEDUCT:		
Maintenance and repairs.....	\$1,505,140.13	\$1,648,781.37
Depreciation.....	2,864,396.05	2,826,985.26
Taxes, other than those applicable to cost of goods sold and federal taxes on income..	3,332,897.97	3,333,738.62
Rents paid less rents received.....	1,397,784.28	1,302,500.36
Interest and debt discount and expense....	576,378.72	468,848.55
Purchase of paid-up annuities for pensioned employees.....	—	1,237,000.00
Total (exclusive of amounts applicable to other income).....	<u>9,676,597.15</u>	<u>10,817,854.16</u>
	<u>\$ 10,646,194.69</u>	<u>\$ 5,992,572.20</u>
OTHER INCOME:		
Income from radio station WOR, from securities, and from miscellaneous non-trading sources (net).....	\$1,006,329.26	\$ 831,251.99
Less losses (net) on dispositions of properties no longer used in store operations.....	<u>188,375.45</u>	<u>307,823.64</u>
	<u>817,953.81</u>	<u>523,428.35</u>
NET PROFIT BEFORE MINORITY INTERESTS AND PROVISION FOR FEDERAL TAXES ON INCOME.....	\$ 11,464,148.50	\$ 6,516,000.55
DEDUCT:		
Provision for federal taxes on income (See Note 4).....	\$7,285,000.00	\$3,384,000.00
Interest of minority stockholders in profits (net) of subsidiary companies.....	<u>19,240.22</u>	<u>79,706.35</u>
	<u>7,304,240.22</u>	<u>3,463,706.35</u>
NET PROFIT.....	<u>\$ 4,159,908.28</u>	<u>\$ 3,052,294.20</u>
DEDUCT:		
Provision for possible future decline of inventory values.....	\$3,100,000.00	\$ —
Less amount by which inventories were reduced to August 1, 1942 by use of Lifo method, now added back (See Note 3).....	<u>3,086,868.00</u>	<u>—</u>
	<u>\$ 13,132.00</u>	<u>\$ —</u>
Provision for war and post war contingencies.	<u>600,000.00</u>	<u>—</u>
	<u>613,132.00</u>	<u>—</u>
BALANCE TRANSFERRED TO EARNED SURPLUS (See Note 7).....	<u>\$ 3,546,776.28</u>	<u>\$ 3,052,294.20</u>

See explanatory notes on pages 12 and 13.

CONSOLIDATED SURPLUS

Year (52 Weeks) Ended July 31, 1943

EARNED SURPLUS:

Balance, August 1, 1942.....	\$ 8,623,624.47
Add balance per accompanying profit and loss statement.....	3,546,776.28
	<u>\$12,170,400.75</u>
Deduct dividends declared on common stock of R. H. Macy & Co., Inc., at \$2.00 per share.....	3,312,134.00
Balance, July 31, 1943, to Statement No. 1 (See Note 6).....	<u>\$ 8,858,266.75</u>

CAPITAL SURPLUS:

Balance, August 1, 1942 and July 31, 1943, to Statement No. 1.....	<u>\$ 9,577,341.05</u>
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MACY'S BANK (A New York Banking Corporation)

STATEMENT NO. 4

COMPARATIVE BALANCE SHEET

	JULY 31, 1943	AUGUST 1, 1942
ASSETS		
Cash:		
On demand deposit and on hand.....	\$1,387,347.30	\$3,569,661.32
On time deposit—due in not over six months.....	—	210,000.00
On deposit as issuing agent for U. S. War Savings Bonds.....	—	50,000.00
Investments (See Note 9):		
U. S. Government obligations (\$1,500,000.00 pledged to secure U. S. War Loan deposit—see contra).....	4,798,241.05	612,878.38
State, municipal and corporate obligations.....	323,348.70	642,250.97
Real estate mortgages—guaranteed by Federal Housing Administration....	435,188.52	417,716.57
R. H. Macy & Co., Inc.:		
Amount receivable under operating contract (See Note 2).....	—	3,668.81
Current accounts.....	(104.00)	2,107.82
Accrued interest receivable.....	17,695.68	7,195.15
Other assets.....	1,170.95	2,306.35
	<u>\$6,962,888.20</u>	<u>\$5,517,785.37</u>
LIABILITIES		
Due to depositors.....	\$5,344,557.10	\$4,704,497.38
Due to Federal Reserve Bank—U. S. War Loan deposit.....	776,381.74	—
Accounts payable and accrued expenses.....	52,177.60	31,881.15
Capital stock and surplus:		
Capital stock, of a par value of \$100.00 per share—authorized, issued and outstanding, 3,750 shares.....	375,000.00	375,000.00
Paid-in surplus.....	375,000.00	375,000.00
Undivided profits.....	39,771.76	31,406.84
	<u>\$6,962,888.20</u>	<u>\$5,517,785.37</u>

() denotes deduction.

See explanatory notes on pages 12 and 13.

NOTES TO FINANCIAL STATEMENTS

- (1) The accompanying consolidated financial statements include by consolidation the figures of all subsidiary companies owned to the extent of over 50% with the exception of several foreign subsidiary companies the investments in which were nominal and have been written off, and Macy's Bank for which a separate balance sheet is included herewith.
- (2) Under the contract between R. H. Macy & Co., Inc. and Macy's Bank, the former in substance guarantees the Bank against operating loss and decline in prices of securities held by the Bank.
- (3) As explained in the reports to the stockholders for the year ended January 31, 1942 and for the period ended August 1, 1942, merchandise inventories at those dates were stated on the basis of "cost or market, whichever is lower" as determined by the retail method of inventory but, in arriving at cost, the Lifo (last-in first-out) method of valuation, based on an index of retail price changes was used. At July 31, 1943, merchandise inventories also are stated at "cost or market, whichever is lower" as determined by the retail method of inventory but without the use of the Lifo method of determining cost. By the use in the two earlier periods of the Lifo method, merchandise inventories and, correspondingly, net profits after taxes had been reduced by an aggregate of \$3,086,868.00; of this amount \$2,281,868.00 was deducted from net profit in the accompanying profit and loss statement for the year ended August 1, 1942. The cumulative Lifo adjustment of \$3,086,868.00 has now been added back to profit and loss for the year ended July 31, 1943. On the other hand, net profit after taxes for that same period has been reduced by \$3,100,000.00 to provide a general reserve in that amount for possible losses due to future decline in market values of merchandise inventories.
- (4) The provisions for federal taxes on income consist of the following:

	YEAR ENDED	
	JULY 31, 1943	AUGUST 1, 1942
Normal tax and surtax.....	\$2,384,500.00	\$3,237,000.00
Excess profits tax.....	4,900,500.00	147,000.00
	<u>\$7,285,000.00</u>	<u>\$3,384,000.00</u>

These provisions are divided by half-yearly periods, as follows:

First six months.....	\$5,356,000.00	\$2,160,000.00
Second six months.....	1,929,000.00	1,224,000.00
	<u>\$7,285,000.00</u>	<u>\$3,384,000.00</u>

While the fiscal year of the Corporation for financial purposes was changed during 1942 to end on the Saturday nearest July 31st, its fiscal year for federal tax purposes continues to end on January 31st. In making provision for federal taxes on income at the end of the financial fiscal year it is necessary to estimate the income for the remainder of the tax fiscal year ending January 31st in order to arrive at an effective tax rate which is to be applied to the profits earned from January 31st to the end of the financial fiscal year. When the reserve was provided as at August 1, 1942 it was anticipated that there would not be a liability for excess profits tax for the year ending January 31, 1943; however, the profits for the Fall of 1942 were found to be better than anticipated and the Corporation was required to pay an excess profits tax. Had the provision for federal taxes on income for the six months ended August 1, 1942 been made at the effective rate for the tax fiscal year ended January 31, 1943, such provision would have been higher by approximately \$505,000.00; accordingly, the net profit for the year ended August 1, 1942 would have been lower by that amount with a corresponding increase in the net profit for the year ended July 31, 1943.

The provision of \$1,929,000.00 made during the six months ended July 31, 1943 is at an effective tax rate which includes a proportionate part of the excess profits tax which, it is anticipated, will be payable for the tax fiscal year ending on January 31, 1944.

NOTES TO FINANCIAL STATEMENTS — (Continued)

- (5) Portion of long-term debt due within one year includes a mortgage payable in the amount of \$326,000.00 which, in the audited report to stockholders at August 1, 1942, was included in long-term debt because of the likelihood of its extension at maturity on February 1, 1943. In lieu of an extension, the mortgagee agreed to carry the mortgage as an overdue obligation contingent upon certain conditions. The mortgagee reserves the right to review the loan on February 1, 1944. This mortgage is secured by garage property owned by a subsidiary company in which the controlling interest is held by L. Bamberger & Co. (a wholly-owned subsidiary).
- (6) Under the terms of the indenture relating to the Ten Year 2½% Sinking Fund Debentures due May 1, 1952, of which \$11,504,000.00 were outstanding at July 31, 1943, the Corporation has agreed, so long as any of the Debentures shall remain outstanding, that it will not declare any dividends (other than stock dividends) or acquire any of its capital stock if such action would result in the payment, when added to other payments made after January 31, 1942, of a total amount which would exceed the sum of (1) the consolidated net income of the Corporation and its consolidated subsidiaries earned after January 31, 1942, (2) the net proceeds of any securities issued after May 1, 1942 junior to the Debentures, and (3) the sum of \$3,500,000.00. Of the consolidated earned surplus at July 31, 1943, \$3,345,158.55 is unrestricted as to dividends under this agreement.
- (7) The consolidated net profit applicable to the common stock of R. H. Macy & Co., Inc. is segregated among the constituent groups as follows:

	YEAR ENDED	
	JULY 31, 1943	AUGUST 1, 1942
Net profit before federal taxes on income, and special provisions:		
R. H. Macy & Co., Inc. group (exclusive of groups which follow).....	\$ 6,538,648	\$ 2,924,626
L. Bamberger & Co. group (exclusive of radio group).....	1,790,434	1,682,340
The Lasalle & Koch Company group.....	1,153,573	598,832
Davison-Paxon Company.....	1,145,443	394,193
Radio group (Station WOR).....	816,810	836,303
	<u>\$ 11,444,908</u>	<u>\$ 6,436,294</u>
Deduct:		
Consolidated provision for federal taxes on income.....	\$ 7,285,000	\$ 3,384,000
Special provisions.....	613,132	—
	<u>\$ 7,898,132</u>	<u>\$ 3,384,000</u>
	<u>\$ 3,546,776</u>	<u>\$ 3,052,294</u>

- (8) The figures shown in the accompanying profit and loss statement for the year ended July 31, 1943 have been audited. Those for the year ended August 1, 1942 have been compiled from reports issued to stockholders for the year ended January 31, 1942 and for the interim period of six months ended August 1, 1942, both of which also have been audited. As an audit was not made at August 2, 1941, the segregation of operating results between the two six-month periods in the year ended January 31, 1942 has not been audited.
- (9) Investments of Macy's Bank in U. S. Government, state, municipal and corporate obligations are stated at cost or market (calculated in the aggregate rather than by individual securities), whichever is lower. Market prices of such investments aggregated \$5,128,784.93 at July 31, 1943 and \$1,255,129.35 at August 1, 1942. Investments of the Bank in real estate mortgages are stated at cost, less repayments of principal.

COMPARATIVE BALANCE SHEET STATISTICS

	JULY 31, 1943	AUGUST 1, 1942	JANUARY 31, 1942	FEBRUARY 1, 1941	FEBRUARY 3, 1940
WORKING CAPITAL:					
Current assets:					
Cash and investments.	\$28,781,767	\$12,241,578	\$ 9,145,432	\$ 6,030,698	\$ 7,519,496
Notes and accounts receivable	6,265,431	7,076,146	12,041,943	10,622,491	8,475,742
Merchandise inventories. . . .	22,438,114	33,520,155 ⁽¹⁾	21,646,778 ⁽¹⁾	17,418,002	15,885,222
Other current assets.	1,108,838	829,619	1,077,199	684,134	645,245
	<u>\$58,594,150</u>	<u>\$53,667,498</u>	<u>\$43,911,352</u>	<u>\$34,755,325</u>	<u>\$32,525,705</u>
Current liabilities.	14,641,189	13,814,259	13,937,412	8,268,175	7,671,373
Working capital.	<u>\$43,952,961</u>	<u>\$39,853,239</u>	<u>\$29,973,940</u>	<u>\$26,487,150</u>	<u>\$24,854,332</u>
Ratio of current assets to current liabilities.	<u>4.00</u>	<u>3.88</u>	<u>3.15</u>	<u>4.20</u>	<u>4.24</u>
LONG-TERM DEBT⁽²⁾:					
Ten Year debentures.	\$11,204,000	\$11,550,000	\$ —	\$ —	\$ —
Notes payable.	8,750,000	9,375,000	10,000,000	5,000,000	5,000,000
Mortgages payable.	574,750	1,521,125	2,875,000	3,924,500	4,936,500
	<u>\$20,528,750</u>	<u>\$22,446,125</u>	<u>\$12,875,000</u>	<u>\$ 8,924,500</u>	<u>\$ 9,936,500</u>

NOTES:

(1) See Note 3 to financial statements.

(2) Long-term debt does not include instalments of such debt which are payable within one year from each year-end as such amounts represent current liabilities and are included under that caption in the above table of working capital.

COMPARATIVE OPERATING STATISTICS

	YEAR ENDED JULY 31, 1943	YEAR ENDED AUGUST 1, 1942 ⁽²⁾	6 MONTHS ENDED AUGUST 1, 1942	YEAR ENDED JANUARY/FEBRUARY		
				1942	1941	1940 ⁽¹⁾
NET RETAIL SALES:						
R. H. Macy & Co., Inc.	\$107,015,420	\$102,841,794	\$43,693,992	\$ 99,679,025	\$ 87,642,150	\$ 84,973,550
L. Bamberger & Co.	38,022,523	37,657,581	16,058,535	36,870,973	33,230,938	31,783,595
The Lasalle & Koch Company..	10,475,039	9,044,080	4,096,085	8,478,630	7,102,771	6,837,051
Davison-Paxon Company	11,246,612	8,556,322	3,675,295	8,494,268	7,347,719	6,839,491
	<u>\$166,759,594</u>	<u>\$158,099,777</u>	<u>\$67,523,907</u>	<u>\$153,522,896</u>	<u>\$135,323,578</u>	<u>\$130,433,687</u>
DEPRECIATION AND CERTAIN OTHER DEDUCTIONS (exclusive of amounts applicable to other income):						
Maintenance and repairs	\$ 1,505,140	\$ 1,648,781	\$ 711,788	\$ 1,650,605	\$ 1,341,929	\$ 1,238,410
Depreciation	2,864,396	2,826,985	1,431,242	2,765,518	2,649,456	2,680,188
Taxes, other than those applicable to cost of goods sold and federal taxes on income	3,332,898	3,333,739	1,605,217	3,305,768	3,049,318	3,073,656
Rents paid less rents received ..	1,397,784	1,302,500	656,089	1,156,293	992,589	936,266
Interest and debt discount and expense	576,379	468,848	314,935	276,991	294,426	377,442
Purchase of paid-up annuities for pensioned employees	—	1,237,000	—	1,237,000	—	—
NET PROFIT AND DIVIDENDS PAID:						
Net profit before minority interests and federal taxes on income	11,464,148	8,797,868	2,390,393	8,137,346	5,423,890	4,875,229
Federal taxes on income	7,285,000	3,384,000	1,224,000	2,870,000	1,053,000	820,000
Share of profits (net) applicable to minority interests	19,240	79,706	31,843	95,051	101,880	113,192
Provision for possible future decline of inventory values ⁽³⁾ ..	13,132	2,281,868	696,000	2,390,868	—	—
Provision for war and post war contingencies	600,000	—	—	—	—	—
Net profit	3,546,776	3,052,294	438,550	2,781,427	4,269,010	3,942,037
Number of shares of R. H. Macy & Co., Inc. common stock outstanding, less shares held in treasury	1,656,067	1,656,067	1,656,067	1,656,067	1,659,554	1,657,574
Net profit per share	\$2.14	\$1.84	\$.26	\$1.68	\$2.57	\$2.38
Dividends paid per share	2.00	2.17	1.17	2.00	2.00	2.00

NOTES:

- (1) This fiscal year consisted of 53 weeks; all others 52 weeks.
- (2) The fiscal year of the Corporation was changed as at August 1, 1942 from one ending on the Saturday nearest January 31 to one ending on the Saturday nearest July 31. For purposes of comparison, figures are presented in this tabulation for both the fiscal year ended August 1, 1942, and for the fiscal period of six months ended August 1, 1942.
- (3) During the year ended January 31, 1942, and the six months ended August 1, 1942, the Lifo (last-in, first-out) inventory method was in use and this method resulted in reducing inventories and net profits by \$2,390,868.00 in the year ended January 31, 1942, and \$696,000.00 in the six months ended August 1, 1942, a total of \$3,086,868.00. During the year ended July 31, 1943, the Lifo method was abandoned and the method formerly in use was reinstituted. Accordingly, the inventories and net profits were increased by the previous reduction of \$3,086,868.00. Simultaneously, a reserve of \$3,100,000.00 was provided from net profits for possible future decline of inventory values. In order to place the figures in this tabulation on a comparable basis for the entire period, the deductions from net profits as a result of the use of the Lifo method are shown as "Provision for Possible Future Decline of Inventory Values".

